



Office of the Inspector General

David R. Shaw, Inspector General

**FOR IMMEDIATE RELEASE
June 30, 2009**

**Contact:
Laura Hill
(916) 830-3600**

Inspector General Releases Second Report on California Prison Health Care Receivership Spending

SACRAMENTO—Inspector General David Shaw today released his office's second report on how the California Prison Health Care Receivership Corporation spent state funds to carry out its federal court mandate to oversee California's prison medical system. The purpose of the limited review is to highlight how the receivership spent state funds for administrative purposes outside of the state accounting system. The report identified two operational areas in which court-appointed Receiver J. Clark Kelso should reevaluate his organization's stewardship over state funds. Specifically, auditors noted that the receivership should return idle cash to the state treasury and close a small office and storage facility in the San Jose area.

The Office of the Inspector General's report presents information on the receivership's use of \$51.2 million in state funds during the period from July 1, 2007 through June 30, 2008. The largest expense category was capital assets, for which the receivership spent \$28.7 million. In addition, the receivership spent \$13.5 million on professional fees, \$7.3 million on employee compensation and benefits, and \$1.7 million on other expenses and travel.

Noteworthy information in the report includes the following: the receivership paid eight of its 22 employees the same or more than the California Department of Corrections and Rehabilitation Secretary's \$225,000 salary; the receivership maintained an average daily cash balance of \$22 million in a money market account that was insured for only \$100,000; the receivership is located in Sacramento, but still operates an office near San Jose for two employees; and the total number of employees was reduced from 40 to 22 during the year.

"With the state in the midst of a severe budget crisis, it is crucial that every effort be made by the Receiver to minimize operating costs. I am pleased that last year's report of the receivership's personnel expenditures has encouraged the Receiver to find ways to reduce his staff," said Inspector General Shaw.

The entire report may be viewed and downloaded from the Office of the Inspector General's Web site at <http://www.oig.ca.gov/>.

###